



Camrova Resources Inc.

Financial Statements

December 31, 2019

(expressed in United States dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Camrova Resources Inc.:

Opinion

We have audited the financial statements of Camrova Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019, and the statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on April 16, 2019.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that as of December 31, 2019 the Company had a shareholder's deficiency in the amount of \$623,801 as well as a working capital deficiency of \$623,801. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

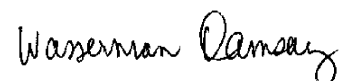
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Ramsay.



Markham, Ontario
March 12, 2020

Chartered Professional Accountants
Licensed Public Accountants

Camrova Resources Inc.
Statement of Financial Position
For the years ended December 31, 2019 and 2018
(expressed in United States dollars)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	9,756	31,445
Receivable from MMB (note 4)	-	162,300
Prepayments and other assets (note 5)	10,184	27,006
Current assets	19,940	220,751
Total assets	19,940	220,751
LIABILITIES AND EQUITY		
Accounts payable	484,262	111,841
Promissory Notes	159,479	-
Current liabilities (note 11)	643,741	111,841
Total liabilities	643,741	111,841
Share capital	291,804,541	291,749,966
Contributed surplus	144,309,860	144,307,323
Deficit	(443,296,939)	(442,514,111)
Accumulated other comprehensive income	6,558,737	6,565,732
Total shareholders' equity (note 8)	(623,801)	108,910
Total liabilities and shareholders' equity	19,940	220,751

Nature of operations and going concern (note 1)

Guarantees and commitments (note 14)

Subsequent events (note 17)

Approved by the Board and authorized for issue on March 12, 2020.

s/ C. Thomas Ogryzlo Director

/s/ Wolf Seidler Director

The accompanying notes form an integral part of these financial statements

Camrova Resources Inc.

Statement of Operations and Statement of Comprehensive Loss

For the years ended December 31, 2019 and 2018

(expressed in United States dollars)

Statement of Operations

	Years ended December 31,	
	2019	2018
Expenses		
General and administration (note 9)	610,518	674,453
Non-Recoverable from MMB – Doubtful Receivable (notes 4&9)	162,300	(162,300)
Loss before other items	(772,818)	(512,153)
Foreign exchange gain (loss)	(8,538)	16,640
Finance (expense) income	(1,472)	(2,253)
Loss for the year	(782,828)	(497,766)
Loss per share		
Basic and diluted	(0.034)	(0.026)
Weighted average number of shares outstanding		
Basic and diluted	22,608,427	19,183,373

Statement of Comprehensive Loss

	Years ended December 31,	
	2019	2018
Loss for the year	(782,828)	(497,766)
Other comprehensive income (loss)		
Items that may be reclassified subsequent to profit or loss		
Currency translation adjustment	(10,724)	(23,173)
Total comprehensive loss	(793,552)	(520,939)

The accompanying notes form an integral part of these financial statements

Camrova Resources Inc.

Statement of Changes in Equity

(expressed in United States dollars)

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	Number	Amount				
Balance – January 1, 2018	17,010,653	291,467,000	144,300,321	(442,016,345)	6,588,905	339,881
Loss for the year	-	-	-	(497,766)	-	(497,766)
Currency translation adjustment	-	-	-	-	(23,173)	(23,173)
Stock Based Comp	-	-	7,002	-	-	7,002
Stock issued debt settlement	4,784,440	282,966	-	-	-	282,966
Balance – December 31, 2018	21,795,093	291,749,966	144,307,323	(442,514,111)	6,565,732	108,910
Loss for the year	-	-	-	(782,828)	-	(782,828)
Currency translation adjustment	-	-	-	-	(6,995)	(6,995)
Stock-based compensation expense	-	-	2,537	-	-	2,537
Private Placement	1,216,667	54,575	-	-	-	54,575
Balance – December 31, 2019	23,011,760	291,804,541	144,309,860	(443,296,939)	6,558,737	(623,801)

The accompanying notes form an integral part of these financial statements

Camrova Resources Inc.

Statement of Cash flows

For the years ended December 31, 2019 and 2018

(expressed in United States dollars)

	Years ended December 31,	
	2019	2018
Cash flows from operating activities		
Loss for the year	(782,828)	(497,766)
Items not affecting cash		
Stock-based compensation expense	2,537	7,002
Write off of receivable from MMB	162,300	
Unrealized foreign exchange		14,965
	(617,991)	(475,799)
Net changes in working capital balances		
Prepayments and other assets	16,822	(168,140)
Accounts payable and accrued liabilities	372,421	89,580
	(228,748)	(554,359)
Cash flow from financing activities		
Private Placement	54,575	171,928
Promissory notes	159,479	-
	214,054	171,928
Net change in cash and cash equivalents	(14,694)	(382,431)
Effect of exchange rate changes on cash and cash equivalents	(6,995)	(43,480)
Increase (decrease) in cash and cash equivalents	(21,689)	(425,911)
Cash and cash equivalents - beginning of year	31,445	457,356
Cash and cash equivalents - end of year	9,756	31,445

The accompanying notes form an integral part of these financial statements

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

1 NATURE OF OPERATIONS AND GOING CONCERN

Camrova Resources Inc. (the “Company” or “Camrova”) was incorporated on July 15, 1985, under the Company Act of British Columbia. The Company has a minority investment in the El Boleo copper-cobalt-zinc-manganese deposit (the “Boleo Mine” or the “Mine”) located near Santa Rosalia, Baja California Sur, Mexico. Minera y Metalúrgica del Boleo, S.A.P.I. de C.V. (“MMB”) holds the mineral property rights to the Boleo Mine. In addition, the Company intends to investigate and potentially pursue alternative project opportunities (note 9). The Company is domiciled in Canada and its registered office is 600 – 890 West Pender Street, Vancouver, British Columbia, V6C 1J9.

The Company is a reporting issuer in Canada and trades on the TSX Venture Exchange, the Frankfurt Stock Exchange, the OTC market and the Santiago Stock Exchange (SSE).

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. The Company’s ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities from normal operations when they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve months from the end of the reporting period.

As at December 31, 2019, the Company had cash and cash equivalents of \$9,756, working capital deficiency of \$623.801 and an accumulated deficit of (\$443,296,939)

The Company had cash outflows from operating activities of \$228,748 for the year ended December 31, 2019. The Company expects to incur further losses in the development of its business. Based on the Company’s cash flow forecasts, it will require additional financing within the next 12 months in order to meet its ongoing corporate overhead, and to continue its discretionary evaluation programs. Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or will be able to raise additional future funding when required. These factors cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

b) Basis of measurement

These financial statements have been prepared on a historical cost basis.

c) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). At December 31, 2019, the functional currency of Camrova Resources Inc., the entity, is the Canadian dollar.

The financial statements are presented in U.S. dollars, which is the presentation currency.

Foreign currency transactions

In preparing the financial results of the entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in currencies other than the functional currency of the entity are translated using the period end foreign exchange rate. Non-monetary assets, liabilities, and equity are translated using the rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the statements of operations.

d) Foreign currency translation

Translation of the financial statements into the presentation currency

The results and financial position of the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities using the exchange rate at period end; and income, expenses and cash flow items using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences arising from the translation of the entities with a functional currency other than the US dollar are reported within accumulated other comprehensive income as a separate component of equity.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits, and short-term liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities

IFRS 9 – *Financial instruments* replaces IAS 39 - *Financial Instruments: Recognition and Measurement* and was adopted by the Company on January 1, 2018.

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets

When an entity first recognises a financial asset, it classifies it based on the entity's business:

- Amortised cost—a financial asset is measured at amortised cost if all of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, an entity changes its business model for managing financial assets it must reclassify all affected financial assets.

Financial liabilities

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss (see 'fair value option' below).

After initial recognition, an entity cannot reclassify any financial liability.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Option

An entity may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortised cost or fair value through other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') or otherwise results in more relevant information.

Impairment

Impairment of financial assets is recognised in stages:

- Stage 1—as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (ie without deduction for expected credit losses).
- Stage 2—if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.
- Stage 3—if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (ie the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets

g) Evaluation expenditures

The Company expenses Evaluation expenditures as incurred. Evaluation expenditures include property option payments and evaluation activity. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized.

h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the period end, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) **Stock-based compensation**

The Company's share option plan provides for the granting of stock options to directors, officers, employees and service providers, which allows them to purchase common shares of the Company. The Company grants such options on a graded vesting basis for periods of up to five years at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options issued to employees, or those providing services similar to employees, is measured at the grant date, using the Black-Scholes option-pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized either as general and administration expense or as property, plant and equipment when grants are to individuals working directly on mineral projects. A corresponding increase is then recognized in equity.

The amount recognized is adjusted to reflect the number of share options expected to vest. Stock options issued to non-employees are recognized based on the fair value of the goods or services received.

j) **Share purchase warrants**

Share purchase warrants issued by the Company with an exercise price denominated in the Company's functional currency are considered equity instruments, with the consideration received reflected as contributed surplus. Upon exercise, the original consideration is reallocated from contributed surplus to share capital along with the associated exercise price.

k) **Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are reviewed at each reporting period and recognized to the extent that it is probable that future taxable profits will be available, against which they can be utilized.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets and liabilities are presented as non-current.

l) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings (loss) for the year attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if outstanding stock options and warrants were exercised and converted to common shares.

The weighted average number of diluted shares is calculated in accordance with the treasury stock method, whereby dilution is calculated based upon the number of common shares issued should “in-the-money” stock options and warrants be exercised and the proceeds used to repurchase common shares of the Company at the average market price during the period.

m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

n) Adoption of new or revised IFRS 16 pronouncement

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, (“IFRS 16”) replacing IAS 17, *Leases*, (“IAS 17”). For lessees applying IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are twelve months or less in duration or for leases of low-value assets. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company adopted IFRS 16 on January 1, 2019. The adoption of IFRS 16 resulted in a lease liability and lease receivable (relating to the sub lease of the Company’s office lease) of \$384,668 being recognised and offset against each other.

The nature of this transaction would result in an asset and corresponding liability being recorded on Camrova’s books and being recognized and offset in equal amounts. As the transaction would have no impact on the financial statements, it is not recorded on the Balance Sheet but instead addressed solely in the notes.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires that the Company's management make assumptions and estimates of effects of various future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates.

Estimates are reviewed on an ongoing basis using historical experience and other factors that are considered relevant given the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period are as follows:

a) **Impairment of amounts due from MMB**

The Company exercises judgment when evaluating the evidence of impairment for amounts due from MMB. Where such evidence exists, estimates of future cash flows and the recoverable amount are required to determine the amount of any impairment. Management's judgment and estimates in these areas are based on information available from internal and external resources at that time (Note 4).

b) **Measurement of the refundable deposit liability**

A refundable deposit liability of \$10,000,000 was included in the cash proceeds received from the sale of 30% of the Company's interest in MMB to the Consortium in 2008. The terms of this refundable deposit liability were modified in the new shareholders' agreement dated December 15, 2016.

In considering the fair value of the new financial liability as of December 15, 2017, management considered that the refundable deposit liability becomes payable only if the MMB board decides not to produce manganese from the Boleo Mine, and that the Company cannot accurately predict the outcome or timing of this decision as it is outside of its control.

If MMB decides not to produce manganese, the Company will be obligated to issue a promissory note to the Consortium (the "Manganese Promissory Note") of which repayment will be made from any dividend, interest and debt repayment received by the Company from MMB. The Company will provide an assignment of its shares in MMB and its promissory note receivable from MMB with a principal balance of \$28,224,121 as security, with 85% of any cash and other amounts and payments in kind (subject to any payments in kind being liquid and fungible), including payments on account of dividends, interest, and debt principle repayment, are received by Camrova from MMB (net of any withholdings and/or taxes due) to be applied as repayment against the Manganese Promissory Note.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

In the event of termination (as defined in the agreement), the Company is obligated to repay any outstanding balance due under the Manganese Promissory Note only if the Company had received a minimum cumulative total of \$2,000,000 in cash and other amounts and payments in kind (subject to any payments in kind being liquid and fungible), including dividend, interest and principle debt repayments from MMB.

Management considered that the cash flows for the refundable deposit liability are linked to the expected cash flows from the shareholder loan receivable, and that a full impairment was taken against the shareholder promissory note.

4. MMB RECEIVABLE

	December 31, 2019	December 31, 2018
Receivable from MMB	-	231,856
Provision (i)	-	(69,556)
Total MMB Receivable	-	162,300

(i) In December 2016, the parties (MMB and Camrova) signed a settlement agreement in respect of the cumulative margin on services provided to MMB since 2009 through 2012 amounting to approximately \$1,000,000 payable in three equal instalments payable every three months commencing in January 2017. The Company received the three scheduled instalments in 2017. As part of this agreement, the Company reserved the right to issue an additional invoice to MMB for re-imbursable expenses in the amount of \$231,856. On November 16, 2018 the Company exercised the right and invoiced MMB for \$231,856. In December 31, 2018 the company recorded a Doubtful Receivable provision of \$69,556. As payment has not yet been received and collection is unlikely in managements' estimation the Company decided to record a Doubtful Receivable provision for the balance of \$162,300.

5 PREPAYMENTS AND OTHER ASSETS

	December 31, 2019	December 31, 2018
Prepaid expenses	7,744	13,418
Other receivables, advances, and deposits	2,440	13,588
	10,184	27,006

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

6 INVESTMENT IN MMB

The Company's investment in MMB is a combination of shares in common stock and shareholder loans. The shareholders of MMB are required to fund their proportionate equity percentage in the Boleo Mine by advances through shareholder loans or subscriptions to additional shares.

At December 31, 2019, the Company held 7.23% (2018 – 7.23%) of the common shares of MMB at \$Nil (2018 - \$Nil). A slight dilution of the Company's ownership is expected shortly.

Korea Resources Corporation ("KORES") is the ultimate controlling party and parent of MMB holding 76.77% (2018- 76.77%) of the common shares of MMB. The remaining 16% (2017 – 16%) ownership of MMB is held by a consortium of Korean companies, including KORES ("the Korean Consortium").

Shareholder loan receivable

On April 1, 2014, the Company agreed with KORES and other members of the Consortium to convert all outstanding shareholder loans to MMB into equity of MMB (the "Conversion"). The Conversion was based on principal and accrued interest balances as of December 31, 2013. Pursuant to the Conversion, the Company agreed to convert its \$93,819,513 principal in shareholder loans to MMB into equity of MMB, and to restructure the accrued and unpaid interest of such loans amounting to \$28,224,121 into a separate promissory note that matures December 31, 2018, and accrues ordinary interest at 4% per annum. The promissory note is subordinate to other priority debt held by MMB. In the event that on the maturity date the priority debt in MMB is still outstanding, the maturity date of the new promissory note will be automatically extended for successive one-year terms as required.

Management estimated the \$17,905,000 carrying value of its investment in MMB approximated its fair value on initial recognition on April 1, 2014 and attributed 100% of the fair value of \$17,905,000 for the Company's retained interest to the new promissory note.

Upon recognition of the new promissory note on April 1, 2014, the Company calculated an effective interest of 14.3% using the contractual cash flows associated with a \$28,224,121 principal balance over the remaining term of the loan, which matured on December 31, 2019.

However, management considered the going concern uncertainties for MMB, and had concluded not to recognize any investment income for the shareholder loan receivable and reflected \$Nil.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

7 SUBORDINATED DEBT FACILITIES

Refundable deposit liability

A refundable deposit liability of \$10,000,000 was included in the cash proceeds received from the sale of 30% of the Company's interest in MMB to the Consortium in 2008 (the "Manganese Refund"). This deposit was to be refundable to the Consortium should a decision be made not to produce manganese from the Boleo Mine by the economic completion date. Alternatively, additional consideration was to be paid to the Company by the Consortium of approximately \$13,000,000 upon a positive decision related to the production of manganese being made by the time of economic completion of the Boleo Mine.

Management considered that the amendments constituted a substantial modification of the terms requiring the extinguishment of the original financial liability and the recognition of a new financial liability.

On April 21, 2017, the MMB Board of Directors adopted a formal decision not to produce manganese at the Boleo Mine (the "Manganese Non-Production Decision"). The Company abstained from the MMB board vote on the Manganese Non-Production Decision and is awaiting receipt of further detail of MMB's and KORES' analysis, which the Company will consider in greater detail to satisfy that due process has been observed as is required pursuant to the New Shareholders' Agreement. The promissory note evidencing the Manganese Refund and the Security will be released to Kores when the decision analysis which is outstanding at this time is received by Camrova. There is no impact on the Financial Statements for the year ended December 31, 2019.

8 SHAREHOLDERS' EQUITY

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued

On May 1, 2019 the TSX Venture approved a Private Placement of 1,216,667 Common Shares at Cdn\$0.06 per share realizing \$54,575 along with Warrants for the number of Common Shares at the exercise price of Cdn\$0.010 per share with an expiry date of May 1, 2021. (Press Release #7 dated May 1, 2019).

On May 30, 2018 the TSXV Exchange approved a Private Placement of 2,830,000 Common Shares at Cdn\$0.08 per share realising \$171,929 along with Warrants for the same number of Common Shares at the exercised price of Cdn\$0.15 per share with an expiry date of May 30, 2020. On September 21, 2018 (News Release 4/2018) final approval was received from the TSXV Exchange with respect to converting \$111,037 of indebtedness to certain arm's length and non-arm's length creditors to 1,954,440 Common Shares valued at Cdn\$0.075.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

8 SHAREHOLDERS' EQUITY(continued)

c) Stock options

Details of the Company's outstanding stock options are as follows:

	Number of options	Wtd. Average Exercise price (Cdn \$ per option)
Balance, December 31, 2017 and 2018	1,700,625	\$0.207
Granted during the year	250,000	\$0.065
Expired during the year	(236,875)	\$0.205
Balance, December 31, 2019	1,713,750	\$0.193

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019:

Range of prices (Cdn\$ per option)	Number of outstanding options	Weighted average years to expiry for outstanding options	Weighted average exercise price for outstanding options (Cdn\$)	Number of exercisable options	Weighted average exercise price for exercisable options (Cdn\$)
0.06-0.215	1,713,750	1.87	0.193	1,613,750	0.193

The Company's stock option plan (the "Plan") allows the Company to grant stock options up to a maximum of 10% of the number of issued shares of the Company. Stock options granted under the Plan will vest with the right to exercise one-quarter of the options upon conclusion of every six months subsequent to the grant date, unless otherwise specified by the board of directors at the time the particular options are granted.

There were 250,000 stock options at \$0.065 per share for a period of one year granted in 2019 (2018- none issued).

The model inputs for the valuation of the stock options issued in the year ended December 31, 2019 are as follows:

	2019	2018
Volatility	100%	NA
Risk-free interest rate	1.4%	NA
Expected life	1 year	NA
Expected volatility	100%	NA

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

8 SHAREHOLDERS' EQUITY (continued)

The total stock-based compensation recorded during the year was \$2,537 (2018 - \$7,002). This has been recognized in general and administration expense and contributed surplus.

At December 31, 2019, there were no (2018 – nil) potentially dilutive shares related to stock options that have been included in the diluted earnings per share calculation for the year presented because their effect is anti-dilutive.

9 GENERAL AND ADMINISTRATION EXPENSES

	Years ended December 31,	
	2019	2018
Wages, salaries, and management fees	195,691	198,872
Directors fees	22,728	22,725
Stock-based compensation (note 8)	2,537	7,002
Professional and consulting fees	168,004	167,228
Office and administration	77,921	91,761
Interest on Promissory notes	10,509	-
Shareholders information	26,875	30,284
Due Diligence	78,545	148,248
Business and Capital Advisory Services	27,708	8,333
	610,518	674,453

Due Diligence and Professional and Consulting costs incurred in the period related to the potential Chilean acquisition.

10 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and directors.

The compensation accrued but not paid to key management, or to companies in common with key management personnel, for services provided is shown below.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

10 RELATED PARTY TRANSACTIONS (continued)

	Years ended December 31,	
	2019	2018
Short-term employee benefits/Key Personnel salary	221,504	221,597
Stock-based compensation	-	7,002
	221,504	228,599

Included in accounts payable at December 31, 2019 is an amount of \$227,637 (2018 -\$34,010) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment. In addition to the above certain related parties loaned US\$ 22,222 which is part of the US \$159,479 to the company to assist with the Bridge Financing. These amounts are interest bearing at a rate of 15% per annum. Of the interest accrued in the year on these promissory notes, \$1,435 represents the amount accrued on the related party portion.

11 CURRENT LIABILITIES

As at December 31, 2019, the Company had the following undiscounted contractual obligations:

Contractual Obligations	Payments due by period				
	Total	Less than 1yr	1-3 yrs	4-5 yrs	5 yrs
Accounts payable and Accruals	\$484,262	\$428,839	\$ 55,423	\$ -	\$ -
Promissory Notes	159,479	159,479	-	-	-
	\$643,741	\$588,318	\$55,423	\$ -	\$ -

The amount above of \$55,423 over 1 year is accrued to related parties.

The promissory notes of \$159,479 payable to related (\$22,222) and non-related parties (\$137,257) are unsecured, due in July 2020 and bear interest at an annual rate of 15%.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

12 INCOME TAX

A reconciliation between the tax expense and the product of accounting income or loss multiplied by the Company's statutory tax rate of 27% for the year ended December 31, 2019 (2018 – 27%) is as follows:

	Years ended December 31,	
	2019	2018
(Loss) income before tax	(782,828)	(497,766)
Statutory tax rate	27%	27%
Expected recovery (expense) at statutory tax rate	(211,364)	(134,397)
Non-deductible expenses	1,538	2,806
	(209,826)	(131,591)
Change in unrecognized deferred tax assets	209,826	131,591
Tax recovery	-	-

The significant components of deferred income tax assets and deferred income tax liabilities are as follows:

	December 31, 2019	December 31, 2018
Non-capital loss carry-forwards	12,108,755	11,325,395
Reserves	-	-
Property, plant and equipment	581,916	554,026
Capital losses and contributions	31,779,729	30,256,580
Exploration expenses	699,851	666,308
	45,170,251	42,802,309
Unrecognized deferred tax assets	(45,170,251)	(42,802,309)

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

12 INCOME TAX (continued)

At December 31, 2019, the Company had unrecognized non-capital losses for income tax purposes of Cdn\$58,250,734 (2018 - Cdn\$57,225,765) that may be used to offset future taxable income as follows:

		Local currency	USD equivalent	Expiry date
Non-capital losses				
Canadian dollar	Cdn	58,250,734	42,976,151	2023-2039

13 SEGMENTED INFORMATION

Operating Segments

The Company currently operates in one business segment, being the acquisition, exploration and development of resource properties.

No revenues were earned from external customers in either 2019 or 2018.

14 GUARANTEES AND COMMITMENTS

In 2012, the Company entered into a lease assignment for offices no longer being used by the Company. In order to induce the landlord to approve the assignment, the Company provided an indemnity agreement to the landlord. The Company will remain liable during the balance of the lease term in the event the assignee does not fulfill its obligations to the landlord. The lease expires September 30, 2020.

At December 31, 2019, total future aggregate minimum lease payments over the remaining lease term by the assignee to the landlord covered by this indemnity agreement is \$384,668.

No amount has been accrued for this indemnity as of December 31, 2019, as management has assessed that it was not probable that the Company will be required to cover any amounts under the indemnity.

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

15 MANAGEMENT OF CAPITAL

It is the Company's objective when managing capital to safeguard the Company's ability to continue as a going concern.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets,

The Company's short-term operating budgets are reviewed and updated annually and as necessary depending on various factors, including operational and strategic decision-making and general industry conditions.

16 FINANCIAL RISK MANAGEMENT

The Company's financial instruments are exposed to the following credit, liquidity and market risks:

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is primarily on its cash and cash equivalents, other receivables (Note 4). The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Cash and cash equivalents are substantially invested with highly rated financial institution with a minimum credit rating of "A".

b) Liquidity risk and Going Concern

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in note 17 to these consolidated financial statements.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or will be able to raise additional future

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

16 FINANCIAL RISK MANAGEMENT (continued)

funding when required. These factors cast significant doubt on the Company's ability to continue as a going concern.

c) Foreign exchange risk

The Company incurs expenditures primarily in Canadian and United States (U.S.) dollars. Corporate expenditures are incurred primarily in Canadian dollars.

As the functional currency of Camrova is the Canadian dollar, foreign exchange gains and losses arise in converting Camrova's U.S. dollar-based monetary assets and liabilities to Canadian dollars. These foreign exchange gains or losses are included in the statements of operations. Currency translation adjustments are recognized in other comprehensive loss arising from the translation of the net assets of Camrova in Canadian dollars into the presentation currency of U.S. dollars (note 2(d)).

A significant change in the currency exchange rate of the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

As at December 31, 2019, U.S. dollar financial instruments subject to foreign exchange risk are as follows:

	Foreign currency amount
	USD
Cash and cash equivalents	9,756
Accounts payable and accrued liabilities	(643,741)
Net U.S. assets (liabilities) exposed	(633,985)

17 SUBSEQUENT EVENTS

Chilean Acquisition

On February 13, 2020 the Company entered into an agreement to purchase from Compania Minero Don Alberto S.A. the Las Vacas Flotation Plant near Illapel, Chile for a purchase price of \$3.6 Million (see Press Release dated February 13, 2020).

Camrova Resources Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in United States dollars, unless stated otherwise)

17 SUBSEQUENT EVENTS (continued)

Right of First Offer (ROFO)

The Company also announced that pursuant to terms in the MMB Shareholders Agreement, Camrova has delivered to the other shareholders of MMB, Kores LUX, Kores Boleo LUX and the KBC, a Right of First Offer (ROFO) to sell its shares in the “Boleo Project”. This offer will expire on April 14, 2020. At that point, if Kores LUX, Kores Boleo LUX and the KBC have not expressed their willingness to acquire the shares, then these could be sold to a third party (see Press Release dated February 13, 2020).